

FACT SHEET ON 2007 MEDICARE MEDICAL SAVINGS ACCOUNT PLANS

The Centers for Medicare & Medicaid Services (CMS) will implement a new consumer-directed Medicare Advantage product beginning January 1, 2007, called a Medicare Medical Savings Account (MSA) plan. This new plan type combines a high deductible health plan with a medical savings account that beneficiaries can use to manage their health care costs. CMS will offer regular MSA plans and demonstration MSA plans. These plans will provide Medicare beneficiaries with the freedom to exercise increased control over their health care utilization while providing them with important coverage against catastrophic health care costs.

CMS is providing increased flexibility with the demonstration MSA plans to make the MSAs more like the popular consumer-directed health savings accounts (HSAs) available in the private sector. Examples of the types of flexibility being made available under the demonstration which are not available under the regular MA MSA rules include: coverage of preventive services during the deductible period, deductible below out-of-pocket maximum, cost-sharing up to the out-of-pocket maximum, and cost differentials between in- and out-of-network services. In addition, under the demonstration, plans must provide information to enrollees on the cost and quality of health care services and providers to help Medicare beneficiaries shop for the best health care by comparing the cost and quality of their medical care options. See below for a comparison of the key requirements and flexibilities that apply to regular and demonstration MSAs.

	Regular Medicare MSA Plan	Demonstration Medicare MSA Plan
Deposit	Plan makes one lump sum deposit into enrollee accounts at the beginning of the year.	Generally there would be a yearly deposit paid in one sum in advance.
Deductible (Limit on out-of-pocket spending)	The maximum yearly deductible that a plan can have in 2007 is \$9,500. The enrollee must meet the deductible before the plan covers your Medicare services.	The minimum yearly deductible is \$2,000 for 2007. There can be a separate limit on out-of-pocket costs, but that limit can be no higher than \$9,500 in 2007.
After Deductible (Catastrophic) Coverage	Plan covers 100% of Medicare-covered services once the enrollee has met the yearly deductible (up to \$9,500 in 2007).	The enrollee may have a coinsurance or copayment after meeting the deductible if the deductible is below \$9,500. Plan will cover all Medicare-covered services once the enrollee has reached the out-of-pocket maximum. The enrollee may have to pay the difference between what the provider charges and what the plan pays if the provider does not accept assignment.
Who can join?	Anyone who qualifies can join. Generally, beneficiaries with other types of health insurance are precluded from enrolling.	Same as regular MSA except some plans may only be offered to employer group health plan members.
Cost for Services (coinsurance/ copayments)	The enrollee costs would be the same whether the enrollee is in-network or out-of-network.	The enrollee may pay less for in-network services. For network HDHPs there may be differential cost-sharing for in-network services, including different out-of-pocket caps for in- and out-of-network services. The HDHP may recognize only the in-network level of cost-sharing for services received out-of-network in counting costs toward the deductible.
Preventive Services	Medicare-covered preventive services are covered by the plan after the enrollee has met the deductible.	Medicare-covered preventive services may be fully or partially covered by the plan before the enrollee meets the deductible.
Employer/Union Plans	Plans can offer products in the employer group market in the same service area where offering product in the individual market.	Plans can offer products in the employer group market only.

How the Savings Accounts Work

- The MSA plans cover all Medicare Part A and Part B benefits. MSA plans may also cover additional benefits for an extra cost, but no plans are offering optional supplemental benefits in 2007. There is no basic premium in regular or demonstration Medicare MSA plans. Enrollees still have to pay the part B premium.
- Members in an MSA plan will receive an annual deposit into an interest-bearing account from CMS to help them cover their health care costs. Members can use these funds to pay for medical services. When the money in the account is used to cover “qualified medical expenses” under IRS rules, it is not taxed.
- Once a member has reached his/her deductible, the plan is responsible for all Medicare-covered costs. Under the MSA demonstration, a plan may provide cost-sharing after the deductible, up to an out-of-pocket maximum.
- Any amount of the deposit that is left at the end of the year remains the property of the member and can be used to cover health care costs the following year.
- MSA plans are statutorily restricted from covering Part D drugs, but MSA enrollees can join a stand-alone prescription drug plan (PDP). Funds in the MSA account cannot count as an IRS qualified expense if used to pay towards the Part D premium but they can be used to cover co-payments, coinsurance and deductibles for Part D drugs. Funds withdrawn from the MSA account used to pay for Part D drugs do count towards TROOP.

MSA Plan Offerings in 2007

Below is a summary of the key benefits to be offered in the 2007 MSA Plans.

Plan Name	Key Benefit Design	Service Area
American Progressive - Demonstration MSA Plan	<ul style="list-style-type: none">• \$4,000 deductible• \$4,800 OOP Max• 20% cost sharing after deductible is met up to OOP max• No optional supplemental benefits offered• Some coverage of preventive services before deductible is met.• Deposit made at the beginning of the year	<ul style="list-style-type: none">• States of New York & Pennsylvania for individual market• All 50 states for employer group market
Blue Cross of California - Regular MSA Plan	<ul style="list-style-type: none">• The following deductibles: \$2,500, \$3,500 and \$4,500• The employer group product has a deductible of \$4,500• No cost-sharing after the deductible is met• No optional supplemental benefits offered• No coverage of preventive services before deductible is met• Deposit made at the beginning of the year	<ul style="list-style-type: none">• State of California for individual and employer group markets
Unicare Life and Health Insurance - Regular MSA Plan	<ul style="list-style-type: none">• The following deductibles: \$2,500, \$3,500 and \$4,500• The employer group product has a deductible of \$4,500• No cost-sharing after the deductible is met• No optional supplemental benefits offered• No coverage of preventive services before deductible is met• Deposit made at the beginning of the year	<ul style="list-style-type: none">• All States except the following for individual and employer group markets: California, Colorado, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, Ohio, Virginia, Wisconsin